

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Denver Township	County Newaygo
Fiscal Year End 3/31/06	Opinion Date 10/20/06	Date Audit Report Submitted to State 10/24/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

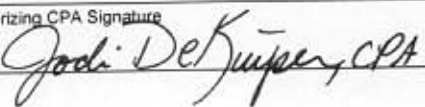
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State MI
Zip 49412			
Authorizing CPA Signature 	Printed Name Jodi DeKuiper, CPA	License Number 1101021180	

**DENVER TOWNSHIP
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	iii
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS:	
Government Wide Statement of Net Assets	6
Government Wide Statement of Activities	7
Governmental Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Fund	12
Notes to the Financial Statements	13 - 19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	20
Fire Fund	21
Road Fund	22

Table of Contents (continued)

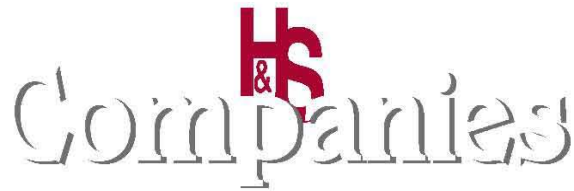
SUPPLEMENTAL INFORMATION:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23 - 26
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DENVER TOWNSHIP

Board Members

	<u>Position</u>
David Roberson	Supervisor
Kristin Smith	Clerk
Lucille Balcom	Treasurer
Ronald Ward	Trustee
Michael LeFevre	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Denver Township
Newaygo County
Hesperia, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denver Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Denver Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 20, 21 and 22, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Fax (231) 893-6773

Hart
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Fax (231) 873-7033

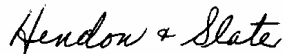
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As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Township, Michigan's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
October 20, 2006

DENVER TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) increased 10.4% from March 31, 2005 - from \$243,965 to \$269,432. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	Governmental Activities
Assets	\$ 334,245
Total Assets	\$ 334,245
Liabilities	\$ -
Total Liabilities	\$ -
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 64,813
Unrestricted	269,432
Total Net Assets	\$ 334,245
Program Revenues	
Charges for Services	\$ 1,260
General Revenues	
Property Taxes	97,084
State Shared Revenue	114,865
Trailer Fees	2,314
Cemetery Lot Sales	5,550
Metro Act	2,630
Refunds and Reimbursements	87,508
Investment Earnings	5,280
Miscellaneous	5,445
Total Revenues	\$ 321,936

Management's Discussion and Analysis (Continued)

Program Expenses	
Legislative	\$ 23,862
General Government	57,232
Public Safety	47,525
Public Works	166,678
Other Functions	1,172
Unallocated Depreciation	<u>2,554</u>
Total Expenses	<u>299,023</u>
Change in Net Assets	<u>\$ 22,913</u>

Governmental Activities

The Township's total governmental revenues increased about \$28,000 from March 31, 2005. A large part of this increase is attributed to timing differences related to reimbursements from Newfield Township for their portion of a shared road improvement project. Most of the other revenues remained similar to previous levels.

Expenses decreased by about \$153,000 from the prior year. Most categories of expenses saw slight increases or decreases except for the Road Expenses which decreased by approximately \$155,000. This decrease is due to the completion of a road improvement project.

Business-Type Activities

The Township had no business-type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for March 31, 2006 were the General, Fire and Road Funds. The Township did not have any activities that were accounted for in non-major funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. The Board did not incur any budget overexpenditures during the current year.

Capital Asset and Debt Administration

At March 31, 2006, the Township had \$122,496 invested in a broad range of capital assets including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2007 calls for a small increase in property taxes. The Township usually plans on a small increase in property taxes due to limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will decrease slightly in the year to come. General Fund expenditures were budgeted for a 27% decrease from the previous budget due to the expected conclusion of a major road project. Anticipated expenditures for the Fire and Road Funds are slightly higher based upon expected increases in property tax collections.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

DENVER TOWNSHIP

Government Wide Statement of Net Assets March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 255,023
Taxes Receivable	13,377
Accounts Receivable - Fiduciary Funds	1,032
Property and Equipment	122,496
Accumulated Depreciation	<u>(57,683)</u>
 Total Assets	 334,245
LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	<u>-</u>
 Total Liabilities	 -
Net Assets	
Invested in Capital Assets	
Net of Related Debt	64,813
Unrestricted	<u>269,432</u>
 Total Net Assets	 <u><u>\$ 334,245</u></u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
Legislative	\$ 23,862	\$ 1,260	\$ (22,602)
General Government	57,232	-	(57,232)
Public Safety	47,525	-	(47,525)
Public Works	166,678	-	(166,678)
Other Functions	1,172	-	(1,172)
Unallocated Depreciation	<u>2,554</u>	<u>-</u>	<u>(2,554)</u>
Total Primary Government	<u>\$ 299,023</u>	<u>\$ 1,260</u>	(297,763)
General Revenues			
Property Taxes			97,084
State Shared Revenue			114,865
Trailer Fees			2,314
Cemetery Lot Sales			5,550
Metro Act			2,630
Refunds and Reimbursements			87,508
Interest Income			5,280
Miscellaneous			<u>5,445</u>
Total General Revenues			<u>320,676</u>
Change in Net Assets			22,913
Net Assets - April 1, 2005			<u>311,332</u>
Net Assets - March 31, 2006			<u>\$ 334,245</u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Governmental Fund Balance Sheet
March 31, 2006

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 255,023	\$ -	\$ -	\$ 255,023
Taxes Receivable	5,313	3,919	4,145	13,377
Due from Other Funds	6,672	-	-	6,672
Total Assets	<u>\$ 267,008</u>	<u>\$ 3,919</u>	<u>\$ 4,145</u>	<u>\$ 275,072</u>
LIABILITIES				
Due to Other Funds	<u>\$ -</u>	<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ 5,640</u>
Total Liabilities	-	5,640	-	5,640
FUND BALANCES				
Unrestricted	<u>267,008</u>	<u>(1,721)</u>	<u>4,145</u>	<u>269,432</u>
Total Fund Balance	<u>267,008</u>	<u>(1,721)</u>	<u>4,145</u>	<u>269,432</u>
Total Liabilities and Fund Equity	<u>\$ 267,008</u>	<u>\$ 3,919</u>	<u>\$ 4,145</u>	<u>\$ 275,072</u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2006

Total Governmental Fund Balances	\$ 269,432
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	\$ 122,496	
Governmental Accumulated Depreciation	<u>(57,683)</u>	<u>64,813</u>
Total Net Assets - Governmental Activities:		<u>\$ 334,245</u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Revenues				
Property Taxes	\$ 39,295	\$ 28,083	\$ 29,706	\$ 97,084
State Shared Revenue	114,865	-	-	114,865
Trailer Fees	2,314	-	-	2,314
Cemetery Lot Sales	5,550	-	-	5,550
Metro Act	2,630	-	-	2,630
Licenses and Permits	1,260	-	-	1,260
Refunds and Reimbursements	87,508	-	-	87,508
Interest	5,280	-	-	5,280
Miscellaneous	5,445	-	-	5,445
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Total Revenues	264,147	28,083	29,706	321,936
Expenditures				
Legislative	23,862	-	-	23,862
General Government	56,320	-	-	56,320
Public Safety	17,036	30,489	-	47,525
Public Works	137,167	-	29,511	166,678
Capital Outlay	912	-	-	912
Other	1,172	-	-	1,172
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	236,469	30,489	29,511	296,469
Excess Revenue Over (Under) Expenditures	27,678	(2,406)	195	25,467
Fund Balance - April 1, 2005	<hr/> 239,330	<hr/> 685	<hr/> 3,950	<hr/> 243,965
Fund Balance - March 31, 2006	<u><u>\$ 267,008</u></u>	<u><u>\$ (1,721)</u></u>	<u><u>\$ 4,145</u></u>	<u><u>\$ 269,432</u></u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 25,467
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Depreciation expense reported in the statement of activities	<u>(2,554)</u>
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Changes in Net Assets - Governmental Activities	<u><u>\$ 22,913</u></u>
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The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Statement of Net Assets - Fiduciary Fund March 31, 2006

	<u>Trust and Agency Fund</u>
Assets	
Cash and Investments	<u>\$ 1,311</u>
Total Assets	<u><u>\$ 1,311</u></u>
 Liabilities and Net Assets	
Liabilities	
Due to Other Funds	\$ 1,032
Due to County	165
Due to Schools	91
Due to Other Units	<u>23</u>
Total Liabilities	1,311
 Net Assets	
Unreserved	<u>-</u>
 Total Liabilities and Net Assets	<u><u>\$ 1,311</u></u>

The Notes to the Financial Statements are an integral part of this statement

DENVER TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Denver Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Denver Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been

removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last

payment has not been received by March 31; therefore, a receivable is recorded for this amount. For fiscal year-end March 31, 2006, the amount had been received so the receivable balance was \$0.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$13,377 were received in May 2006. These amounts are recorded as receivable at March 31, 2006 and have been included in revenues for the year ended March 31, 2006.

The 2005 taxable valuation of the Township totaled \$32,081,083 on which ad valorem taxes levied consisted of .8516 mills for general operations, .8758 mills for fire protection, and .9264 mills for road improvements raising \$27,348 for general operations, \$28,083 for fire protection and \$29,706 for road improvements. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Road fund accounts for the resources of property tax revenue and charges for services that are restricted for road improvement purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and	40 years
Land Improvements	15 years
Equipment	5 - 10 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deficit Equity - The Township has an accumulated fund balance deficit in the Special Revenue Fire Fund of \$1,721. Public Act 275 of 1980 requires that the Township file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 255,023	\$ 1,311	\$ 256,334

The bank balance of the Township's deposits is \$256,384, of which \$241,406 is covered by federal depository insurance and \$14,978 is uninsured.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Shelby State Bank was the sole depository actively used by the Township during the year.

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Road Fund	Total
Taxes Receivable	\$ 5,313	\$ 3,919	\$ 4,145	\$ 13,377

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 47,877	\$ -	\$ -	\$ 47,877
Capital Assets Being Depreciated				
Buildings & Improvements	38,913	-	-	38,913
Machinery & Equipment	35,706	-	-	35,706
Subtotal	74,619	-	-	74,619
Less Accumulated Depreciation for				
Buildings & Improvements	26,834	973	-	27,807
Machinery & Equipment	28,295	1,581	-	29,876
Subtotal	55,129	2,554	-	57,683
Net Capital Assets being depreciated	19,490	(2,554)	-	16,936
Capital Assets - Net of Depreciation	\$ 67,367	\$ (2,554)	\$ -	\$ 64,813

Notes to the Financial Statements (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Unallocated	<u>\$ 2,554</u>
Total Governmental Activities	<u><u>\$ 2,554</u></u>

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 1,032	Trust & Agency Fund	\$ 1,032
General Fund	<u>5,640</u>	Fire Fund	<u>5,640</u>
	<u><u>\$ 6,672</u></u>		<u><u>\$ 6,672</u></u>

NOTE G PENSION PLAN

The Township provides pension benefits to all of its elected officials through a defined contribution plan administered by John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by a Township contribution and to the extent that participants elect to defer a portion of their compensation. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$4,500. Covered payroll for the current year was \$25,400, and total payroll of the Township was \$41,806.

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

DENVER TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2005	\$ 239,330	\$ 239,330	\$ 239,330	\$ -
Resources (Inflows)				
Property Taxes	45,000	45,000	39,295	(5,705)
State Shared Revenue	117,300	117,300	114,865	(2,435)
Trailer Fees	600	600	2,314	1,714
Cemetery Lot Sales	6,000	6,000	5,550	(450)
Metro Act	-	-	2,630	2,630
Licenses and Permits	600	600	1,260	660
Refunds and Reimbursements	158,658	158,658	87,508	(71,150)
Interest	4,160	4,160	5,280	1,120
Miscellaneous	1,800	1,800	5,445	3,645
Amounts Available for Appropriation	573,448	573,448	503,477	(69,971)
Charges to Appropriations (Outflows)				
Legislative	26,500	26,500	23,862	2,638
General Government	83,175	83,175	57,232	25,943
Public Safety	18,900	18,900	17,036	1,864
Public Works	275,250	275,250	137,167	138,083
Other	1,400	1,400	1,172	228
Total Charges to Appropriation	405,225	405,225	236,469	168,756
Budgetary Fund Balance - March 31, 2006	<u>\$ 168,223</u>	<u>\$ 168,223</u>	<u>\$ 267,008</u>	<u>\$ 98,785</u>

DENVER TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for Fire Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2005	\$ 685	\$ 685	\$ 685	\$ -
Resources (Inflows)				
Property Taxes	<u>27,500</u>	<u>27,500</u>	<u>28,083</u>	<u>583</u>
Amounts Available for Appropriation	28,185	28,185	28,768	583
Charges to Appropriations (Outflows)				
Public Safety	<u>30,489</u>	<u>30,489</u>	<u>30,489</u>	<u>-</u>
Total Charges to Appropriation	<u>30,489</u>	<u>30,489</u>	<u>30,489</u>	<u>-</u>
Budgetary Fund Balance - March 31, 2006	<u><u>\$ (2,304)</u></u>	<u><u>\$ (2,304)</u></u>	<u><u>\$ (1,721)</u></u>	<u><u>\$ 583</u></u>

DENVER TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for Road Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2005	\$ 3,950	\$ 3,950	\$ 3,950	\$ -
Resources (Inflows)				
Property Taxes	<u>29,000</u>	<u>29,000</u>	<u>29,706</u>	<u>706</u>
Amounts Available for Appropriation	32,950	32,950	33,656	706
Charges to Appropriations (Outflows)				
Public Works	<u>45,000</u>	<u>45,000</u>	<u>29,511</u>	<u>15,489</u>
Total Charges to Appropriation	<u>45,000</u>	<u>45,000</u>	<u>29,511</u>	<u>15,489</u>
Budgetary Fund Balance - March 31, 2006	<u><u>\$ (12,050)</u></u>	<u><u>\$ (12,050)</u></u>	<u><u>\$ 4,145</u></u>	<u><u>\$ 16,195</u></u>

DENVER TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 45,000	\$ 39,295	\$ (5,705)
State Shared Revenue	117,300	114,865	(2,435)
Trailer Fees	600	2,314	1,714
Cemetery Lot Sales	6,000	5,550	(450)
Metro Act	-	2,630	2,630
Licenses and Permits	600	1,260	660
Refunds and Reimbursements	158,658	87,508	(71,150)
Interest	4,160	5,280	1,120
Miscellaneous	<u>1,800</u>	<u>5,445</u>	<u>3,645</u>
Total Revenues	334,118	264,147	(69,971)
Expenditures			
Legislative			
Township Board			
Salaries and Wages		2,300	
Fringe Benefits		1,647	
Professional Services		2,400	
Printing and Publishing		663	
Dues and Publications		702	
Education and Training		344	
Transportation		30	
Rentals		65	
Miscellaneous		8,861	
Insurance		<u>6,850</u>	
Total Legislative	26,500	23,862	2,638
General Government			
Supervisor			
Salaries and Wages		7,000	
Fringe Benefits		1,874	
Supplies		338	
Utilities		148	

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Transportation		\$	451	
Education and Training			337	
Capital Outlay			<u>456</u>	
	\$	12,550	10,604	\$ 1,946
Elections				
Supplies			<u>59</u>	
	11,300		59	11,241
Assessor				
Salaries and Wages			9,293	
Supplies			151	
Dues			95	
Transportation			55	
Utilities			440	
Professional Services			420	
Capital Outlay			<u>456</u>	
	12,950		10,910	2,040
Clerk				
Salaries and Wages			8,108	
Fringe Benefits			1,669	
Supplies			832	
Dues			175	
Transportation			10	
Education and Training			<u>172</u>	
	13,375		10,966	2,409
Board of Review				
Salaries and Wages			586	
Transportation			64	
Printing and Publishing			210	
Miscellaneous			15	
Education and Training			<u>145</u>	
	\$	1,575	\$ 1,020	\$ 555

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Treasurer			
Salaries and Wages		\$ 8,100	
Fringe Benefits		58	
Supplies		1,202	
Transportation		157	
Utilities		477	
Repairs and Maintenance		1,500	
Dues		35	
Education and Training		<u>172</u>	
	\$ 16,925	11,701	\$ 5,224
Township Hall and Grounds			
Rent		<u>1,000</u>	
	1,200	1,000	200
Cemetery			
Salaries and Wages		4,828	
Supplies		1,782	
Repairs and Maintenance		3,941	
Utilities		169	
Professional Services		200	
Transportation		<u>52</u>	
	<u>13,300</u>	<u>10,972</u>	<u>2,328</u>
Total General Government	83,175	57,232	25,943
Public Safety			
Planning & Zoning Board			
Salaries and Wages		797	
Printing and Publishing		<u>92</u>	
	4,050	889	3,161
Zoning Administrator			
Salaries and Wages		795	
Transportation		<u>107</u>	
	\$ 1,350	\$ 902	\$ 448

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Ambulance Services	<u>\$ 13,500</u>	<u>\$ 15,245</u>	<u>\$ (1,745)</u>
Total Public Safety	18,900	17,036	1,864
Public Works			
Highways, Streets and Bridges			
Professional Services		33,490	
Construction		103,445	
Street Lights		<u>232</u>	
Total Public Works	230,250	137,167	93,083
Payroll Taxes	<u>1,400</u>	<u>1,172</u>	<u>228</u>
Total Expenditures	<u>360,225</u>	<u>236,469</u>	<u>123,756</u>
Excess Revenues Over (Under) Expenditures	(26,107)	27,678	53,785
Fund Balance - April 1, 2005		<u>239,330</u>	
Fund Balance - March 31, 2006		<u><u>\$ 267,008</u></u>	



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



October 23, 2006

Township Board
Denver Township
Newaygo County, Michigan

Dear Board Members:

In connection with our audit of Denver Township as of and for the year ended March 31, 2006, we offer the following comments and recommendations.

BOOKS AND RECORDS

The Township's books and records were again maintained in excellent condition. Your officials should be commended. With a few minor exceptions, the records of the clerk and treasurer were properly posted and balanced.

BUDGETING

As we have indicated in the past, the budgets meet all on the State's minimum requirements for budgeting. With the two extra funds (due to the extra mills for road and fire), it can be confusing which funds are included in the budget. We especially had difficulty with the Road Fund, because the budgeted road expenditures included both General and Road Fund. Therefore, we recommend that the Township prepare completely separate budgets for each of the Township's three funds.

CAPITALIZATION POLICY

During our audit, we noted that the Township did not have a policy regarding the capitalization of net assets. Such a policy should be in place so that the Township can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. Based upon the asset listing provided by the Clerk, we have determined that the Board wishes to capitalize all assets over \$1,000. However, we recommend that the Township formally adopt such a policy. A sample capitalization policy to assist the Township with this process has been sent to the Clerk.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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DEFICIT FUND BALANCE

The Township has accumulated a fund balance deficit in the Fire Fund of \$1,721. This deficit was created by paying more for fire protection than is raised by the fire fund millage. As the Fire Fund does not maintain a separate checking account, the General Fund must have paid for any excess expenditures on behalf of the Fire Fund. Public Act 275 of 1980 requires that the Township file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended in a deficit condition. We suggest that the Township prepare a deficit elimination plan as soon as possible. Further, we suggest that transfers be made from the General Fund to the Fire Fund when the cost of fire protection services exceeds the fire millage property tax collections.

Thank you for the courtesy extended to us during our audit. We look forward to our continued relationship with Denver Township. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P.C.